

# Senate File 244 - Introduced

SENATE FILE 244

BY JOCHUM

## A BILL FOR

1 An Act allowing taxpayers to transfer certain tax credits to  
2 qualifying beginning farmers, and including effective date  
3 and retroactive and other applicability provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

FORMER AGRICULTURAL ASSETS TRANSFER TAX CREDIT

Section 1. TRANSFER.

1. a. For any tax year commencing in calendar years 2008 through 2012, for which an agricultural assets transfer tax credit under former section 175.37, as described in this division of this Act, was first issued, awarded, or allowed to a taxpayer because the taxpayer executed an agricultural assets transfer agreement with a qualified beginning farmer, the taxpayer may transfer such tax credit to the qualified beginning farmer. The tax credit shall equal the amount of tax credit that would otherwise remain eligible to be credited to the future tax liability of the taxpayer.

b. A taxpayer who has already claimed the tax credit and surrendered the agricultural assets transfer tax credit certificate to the department of revenue, but who is intending to transfer the remaining carryforward tax credit amount to a qualified beginning farmer, shall apply to the department for a substitute tax credit certificate in the manner and form prescribed by the department.

2. a. Within ninety days of the transfer, the qualified beginning farmer shall submit the transferred tax credit certificate as provided in former section 175.37, or the transferred substitute tax credit certificate, as provided in subsection 1, to the department of revenue along with a statement containing the qualified beginning farmer's name, tax identification number, and address, the denomination that each replacement tax credit certificate is to carry, and any other information required by the department.

b. Within thirty days of receiving the transferred tax credit certificate and the qualified beginning farmer's statement as provided in paragraph "a", the department of revenue shall issue one or more replacement tax credit certificates to the qualified beginning farmer. Each replacement tax credit certificate shall contain the same type

1 of information required for the original tax credit certificate  
2 and shall have the same expiration date that appeared on the  
3 transferred tax credit certificate.

4     3. A tax credit shall not be claimed by a qualified  
5 beginning farmer until a replacement tax credit certificate  
6 identifying the qualified beginning farmer as the proper holder  
7 has been issued. The qualified beginning farmer may use the  
8 amount of the tax credit transferred against the taxes imposed  
9 in chapter 422, divisions II and III, for any future tax year  
10 the taxpayer could have claimed the tax credit under former  
11 section 175.37. Any consideration received for the transfer of  
12 the tax credit shall not be included as income under chapter  
13 422, divisions II and III. Any consideration paid for the  
14 transfer of the tax credit shall not be deducted from income  
15 under chapter 422, divisions II and III.

16     Sec. 2. APPLICABILITY. This division of this Act applies  
17 to section 175.37 as enacted in 2006 Iowa Acts, chapter 1161,  
18 section 2, including any subsequent amendments to that section,  
19 notwithstanding any of the following:

20     1. The repeal of any amendments to section 175.37 as  
21 provided in 2013 Iowa Acts, chapter 125, section 25, subsection  
22 1.

23     2. The directive to strike future amendments to the section,  
24 as provided in 2013 Iowa Acts, chapter 125, section 25,  
25 subsection 3.

26     3. The repeal of chapter 175 as provided in 2014 Iowa Acts,  
27 chapter 1080, section 112.

28     Sec. 3. EFFECTIVE UPON ENACTMENT. This division of this  
29 Act, being deemed of immediate importance, takes effect upon  
30 enactment.

31     Sec. 4. RETROACTIVE APPLICABILITY. For purposes of  
32 allowing the transfer to qualified beginning farmers of  
33 agricultural assets transfer tax credits, this division of this  
34 Act applies retroactively to such tax credits first issued,  
35 awarded, or allowed for any tax year commencing in calendar

1 years 2008 through 2012, for transfer to qualified beginning  
2 farmers for tax years beginning on or after January 1, 2015.

3 DIVISION II

4 FORMER CUSTOM FARMING CONTRACT TAX CREDIT

5 Sec. 5. TRANSFER.

6 1. a. For any tax year commencing in calendar year 2013  
7 or 2014, for which a custom farming contract tax credit under  
8 former section 175.38, as described in this division of this  
9 Act, was first issued, awarded, or allowed to a taxpayer  
10 because the taxpayer executed a custom farming contract with a  
11 qualified beginning farmer, the taxpayer may transfer such tax  
12 credit to the qualified beginning farmer. The tax credit shall  
13 equal the tax credit that would otherwise remain eligible to be  
14 credited to the future tax liability of the taxpayer.

15 b. A taxpayer who has already claimed the tax credit  
16 and surrendered the custom farming contract tax credit  
17 certificate to the department of revenue, but who is intending  
18 to transfer the remaining carryforward tax credit amount to  
19 a qualified beginning farmer, shall apply to the department  
20 for a substitute tax credit certificate in the manner and form  
21 prescribed by the department.

22 2. a. Within ninety days of the transfer, the qualified  
23 beginning farmer shall submit the transferred tax credit  
24 certificate as provided in former section 175.38, or the  
25 transferred substitute tax credit certificate as provided  
26 in subsection 1, to the department of revenue along with a  
27 statement containing the qualified beginning farmer's name, tax  
28 identification number, and address, the denomination that each  
29 replacement tax credit certificate is to carry, and any other  
30 information required by the department.

31 b. Within thirty days of receiving the transferred tax  
32 credit certificate and the qualified beginning farmer's  
33 statement as provided in paragraph "a", the department  
34 of revenue shall issue one or more replacement tax credit  
35 certificates to the qualified beginning farmer. Each

1 replacement tax credit certificate shall contain the same type  
2 of information required for the original tax credit certificate  
3 and shall have the same expiration date that appeared on the  
4 transferred tax credit certificate.

5     3. A tax credit shall not be claimed by a qualified  
6 beginning farmer until a replacement tax credit certificate  
7 identifying the qualified beginning farmer as the proper holder  
8 has been issued. The qualified beginning farmer may use the  
9 amount of the tax credit transferred against the taxes imposed  
10 in chapter 422, divisions II and III, for any future tax year  
11 the taxpayer could have claimed the tax credit under former  
12 section 175.38. Any consideration received for the transfer of  
13 the tax credit shall not be included as income under chapter  
14 422, divisions II and III. Any consideration paid for the  
15 transfer of the tax credit shall not be deducted from income  
16 under chapter 422, divisions II and III.

17     Sec. 6. APPLICABILITY. This division of this Act applies  
18 to section 175.38 as enacted in 2013 Iowa Acts, chapter  
19 125, section 18, including any subsequent amendments to that  
20 section, notwithstanding any of the following:

21     1. The repeal of section 175.38 as provided in 2013 Iowa  
22 Acts, chapter 125, section 25, subsection 2.

23     2. The directive to strike future amendments to section  
24 175.38, as provided in 2013 Iowa Acts, chapter 125, section 25,  
25 subsection 3.

26     3. The repeal of chapter 175 as provided in 2014 Iowa Acts,  
27 chapter 1080, section 112.

28     Sec. 7. EFFECTIVE UPON ENACTMENT. This division of this  
29 Act, being deemed of immediate importance, takes effect upon  
30 enactment.

31     Sec. 8. RETROACTIVE APPLICABILITY. For purposes of  
32 allowing the transfer to qualified beginning farmers of custom  
33 farming contract tax credits, this division of this Act applies  
34 retroactively to such tax credits first issued, awarded, or  
35 allowed for any tax year commencing in calendar years 2013

1 through 2017, for transfer to qualified beginning farmers for  
2 tax years beginning on or after January 1, 2015.

3 DIVISION III

4 CURRENT VERSION OF THE AGRICULTURAL ASSETS TRANSFER TAX CREDIT  
5 TO BE REPLACED

6 Sec. 9. Section 16.80, subsection 6, Code 2015, is amended  
7 to read as follows:

8 6. A tax credit in excess of the taxpayer's liability  
9 for the tax year may be credited to the tax liability for  
10 the following ten tax years or until depleted, whichever is  
11 earlier. A tax credit shall not be carried back to a tax year  
12 prior to the tax year in which the taxpayer redeems the tax  
13 credit. ~~A tax credit shall not be transferable to any other~~  
14 ~~person other than the taxpayer's estate or trust upon the~~  
15 ~~taxpayer's death.~~

16 Sec. 10. Section 16.80, Code 2015, is amended by adding the  
17 following new subsection:

18 NEW SUBSECTION. 6A. A tax credit shall not be transferable  
19 to any person other than one of the following:

20 a. The taxpayer's estate or trust upon the taxpayer's death.

21 b. The qualified beginning farmer who is the other party  
22 to the agricultural assets transfer agreement. The tax credit  
23 shall equal the amount of the tax credit that would otherwise  
24 remain eligible to be credited to the future tax liability of  
25 the taxpayer.

26 (1) (a) A taxpayer who has already claimed the tax credit  
27 and surrendered the agricultural assets transfer tax credit  
28 certificate to the department of revenue, but who is intending  
29 to transfer the remaining carryforward tax credit amount to  
30 a qualified beginning farmer, shall apply to the department  
31 for a substitute tax credit certificate in the manner and form  
32 prescribed by the department.

33 (b) Subparagraph division (a) does not apply if the  
34 department provides for the transfer of the tax credit by  
35 another method including by recording the transfer information

1 on the original tax certificate.

2       (2) (a) Within ninety days of the transfer, the qualified  
3 beginning farmer shall submit the transferred tax credit  
4 certificate, or the transferred substitute tax credit  
5 certificate as provided in subparagraph (1), to the department  
6 of revenue along with a statement containing the qualified  
7 beginning farmer's name, tax identification number, and  
8 address, the denomination that each replacement tax credit  
9 certificate is to carry, and any other information required by  
10 the department.

11       (b) Within thirty days of receiving the transferred tax  
12 credit certificate and the qualified beginning farmer's  
13 statement as provided in subparagraph division (a), the  
14 department of revenue shall issue one or more replacement  
15 tax credit certificates to the qualified beginning farmer.  
16 Each replacement tax credit certificate shall contain the  
17 information required for the original tax credit certificate  
18 and shall have the same expiration date that appeared on the  
19 transferred tax credit certificate.

20       (3) A tax credit shall not be claimed by a qualified  
21 beginning farmer until a replacement tax credit certificate  
22 identifying the qualified beginning farmer as the proper  
23 holder has been issued. The qualified beginning farmer may  
24 use the amount of the tax credit transferred against the taxes  
25 imposed in chapter 422, divisions II and III, for any future  
26 tax year the taxpayer could have claimed the tax credit. Any  
27 consideration received for the transfer of the tax credit shall  
28 not be included as income under chapter 422, divisions II and  
29 III. Any consideration paid for the transfer of the tax credit  
30 shall not be deducted from income under chapter 422, divisions  
31 II and III.

32       Sec. 11. APPLICABILITY. This division of this Act applies  
33 to section 16.80 as enacted in 2014 Iowa Acts, chapter 1080,  
34 section 60, as amended in 2014 Iowa Acts, chapter 1112, section  
35 8, and as amended in this division of this Act, for any tax year

1 commencing in calendar years 2015 through 2017, notwithstanding  
2 any of the following:

3 1. The amendment striking section 16.80 as provided in 2014  
4 Iowa Acts, chapter 1080, section 122.

5 2. The directive to strike future amendments to section  
6 16.80, as provided in 2014 Iowa Acts, chapter 1080, section  
7 123.

8 Sec. 12. EFFECTIVE UPON ENACTMENT. This division of this  
9 Act, being deemed of immediate importance, takes effect upon  
10 enactment.

11 Sec. 13. RETROACTIVE APPLICABILITY. This division of this  
12 Act applies retroactively to January 1, 2015, for tax years  
13 beginning on or after that date.

14 DIVISION IV

15 CURRENT VERSION OF THE CUSTOM FARMING CONTRACT TAX CREDIT

16 Sec. 14. Section 16.81, subsection 9, Code 2015, is amended  
17 to read as follows:

18 9. A custom farming contract tax credit in excess of the  
19 taxpayer's liability for the tax year may be credited to  
20 the tax liability for the following ten tax years or until  
21 depleted, whichever is earlier. A tax credit shall not be  
22 carried back to a tax year prior to the tax year in which the  
23 taxpayer redeems the tax credit. ~~A tax credit shall not be~~  
24 ~~transferable to any other person other than the taxpayer's~~  
25 ~~estate or trust upon the taxpayer's death.~~

26 Sec. 15. Section 16.81, Code 2015, is amended by adding the  
27 following new subsection:

28 NEW SUBSECTION. 9A. A tax credit shall not be transferable  
29 to any person other than one of the following:

30 a. The taxpayer's estate or trust upon the taxpayer's death.

31 b. The qualified beginning farmer who is the other party to  
32 the custom farming contract. The tax credit shall equal the  
33 amount of the tax credit that would otherwise remain eligible  
34 to be credited to the future tax liability of the taxpayer.

35 (1) (a) A taxpayer who has already claimed the tax



1 credit and surrendered the custom farming contract tax credit  
2 certificate to the department of revenue, but who is intending  
3 to transfer the remaining carryforward tax credit amount to  
4 a qualified beginning farmer, shall apply to the department  
5 for a substitute tax credit certificate in the manner and form  
6 prescribed by the department.

7 (b) Subparagraph division (a) does not apply if the  
8 department provides for the transfer of the tax credit by  
9 another method including by recording the transfer on the  
10 original tax credit certificate.

11 (2) (a) Within ninety days of the transfer, the qualified  
12 beginning farmer shall submit the transferred tax credit  
13 certificate, or the transferred substitute tax credit  
14 certificate as provided in subparagraph (1), to the department  
15 of revenue along with a statement containing the qualified  
16 beginning farmer's name, tax identification number, and  
17 address, the denomination that each replacement tax credit  
18 certificate is to carry, and any other information required by  
19 the department.

20 (b) Within thirty days of receiving the transferred tax  
21 credit certificate and the qualified beginning farmer's  
22 statement as provided in subparagraph division (a), the  
23 department of revenue shall issue one or more replacement tax  
24 credit certificates to the qualified beginning farmer. Each  
25 replacement tax credit certificate shall contain the same type  
26 of information required for the original tax credit certificate  
27 and shall have the same expiration date that appeared on the  
28 transferred tax credit certificate.

29 (3) A tax credit shall not be claimed by a qualified  
30 beginning farmer until a replacement tax credit certificate  
31 identifying the qualified beginning farmer as the proper  
32 holder has been issued. The qualified beginning farmer may  
33 use the amount of the tax credit transferred against the taxes  
34 imposed in chapter 422, divisions II and III, for any future  
35 tax year the taxpayer could have claimed the tax credit. Any

1 consideration received for the transfer of the tax credit shall  
 2 not be included as income under chapter 422, divisions II and  
 3 III. Any consideration paid for the transfer of the tax credit  
 4 shall not be deducted from income under chapter 422, divisions  
 5 II and III.

6 Sec. 16. APPLICABILITY. This division of this Act applies  
 7 to section 16.81 as enacted in 2014 Iowa Acts, chapter 1080,  
 8 section 61, as amended in 2014 Iowa Acts, chapter 1112,  
 9 section 17, and as amended in this division of this Act, for  
 10 any tax year commencing in calendar years 2015 through 2017,  
 11 notwithstanding the repeal of section 16.81 as provided in 2014  
 12 Iowa Acts, chapter 1080, section 120.

13 Sec. 17. EFFECTIVE UPON ENACTMENT. This division of this  
 14 Act, being deemed of immediate importance, takes effect upon  
 15 enactment.

16 Sec. 18. RETROACTIVE APPLICABILITY. This division of this  
 17 Act applies retroactively to January 1, 2015, for tax years  
 18 beginning on or after that date.

#### 19 DIVISION V

#### 20 FUTURE VERSION OF CURRENT VERSION OF THE AGRICULTURAL ASSETS 21 TRANSFER TAX CREDIT

22 Sec. 19. Section 16.80, subsection 7, as amended by 2014  
 23 Iowa Acts, chapter 1080, section 122, as amended by 2014 Iowa  
 24 Acts, chapter 1112, section 14, is amended to read as follows:

25 7. A tax credit in excess of the taxpayer's liability  
 26 for the tax year may be credited to the tax liability for  
 27 the following ten tax years or until depleted, whichever is  
 28 earlier. A tax credit shall not be carried back to a tax year  
 29 prior to the tax year in which the taxpayer redeems the tax  
 30 credit. ~~A tax credit shall not be transferable to any other~~  
 31 ~~person other than the taxpayer's estate or trust upon the~~  
 32 ~~taxpayer's death.~~

33 Sec. 20. Section 16.80, as amended by 2014 Iowa Acts,  
 34 chapter 1080, section 122, as amended by 2014 Iowa Acts,  
 35 chapter 1112, section 14, is amended by adding the following

1 new subsection:

2 NEW SUBSECTION. 7A. A tax credit shall not be transferable  
3 to any person other than one of the following:

4 a. The taxpayer's estate or trust upon the taxpayer's death.

5 b. The qualified beginning farmer who is the other party  
6 to the agricultural assets transfer agreement. The tax credit  
7 shall equal the tax credit that would otherwise remain eligible  
8 to be credited to the future liability of the taxpayer.

9 (1) (a) A taxpayer who has already claimed the tax credit  
10 and surrendered the agricultural assets transfer tax credit  
11 certificate to the department of revenue, but who is intending  
12 to transfer the remaining carryforward tax credit amount to  
13 a qualified beginning farmer, shall apply to the department  
14 for a substitute tax credit certificate in the manner and form  
15 prescribed by the department.

16 (b) Subparagraph division (a) does not apply if the  
17 department provides for the transfer of the tax credit by  
18 another method, including by recording the transfer information  
19 on the original tax certificate.

20 (2) (a) Within ninety days of the transfer, the qualified  
21 beginning farmer shall submit the transferred tax credit  
22 certificate, or the transferred substitute tax credit  
23 certificate as provided in subparagraph (1), to the department  
24 of revenue along with a statement containing the qualified  
25 beginning farmer's name, tax identification number, and  
26 address, the denomination that each replacement tax credit  
27 certificate is to carry, and any other information required by  
28 the department.

29 (b) Within thirty days of receiving the transferred tax  
30 credit certificate and the qualified beginning farmer's  
31 statement as provided in subparagraph division (a), the  
32 department of revenue shall issue one or more replacement tax  
33 credit certificates to the qualified beginning farmer. Each  
34 replacement tax credit certificate shall contain the same type  
35 of information required for the original tax credit certificate

1 and shall have the same expiration date that appeared on the  
2 transferred tax credit certificate.

3     (3) A tax credit shall not be claimed by a qualified  
4 beginning farmer until a replacement tax credit certificate  
5 identifying the qualified beginning farmer as the proper  
6 holder has been issued. The qualified beginning farmer may  
7 use the amount of the tax credit transferred against the taxes  
8 imposed in chapter 422, divisions II and III, for any future  
9 tax year the taxpayer could have claimed the tax credit. Any  
10 consideration received for the transfer of the tax credit shall  
11 not be included as income under chapter 422, divisions II and  
12 III. Any consideration paid for the transfer of the tax credit  
13 shall not be deducted from income under chapter 422, divisions  
14 II and III.

15     Sec. 21. EFFECTIVE UPON ENACTMENT. This division of this  
16 Act, being deemed of immediate importance, takes effect January  
17 1, 2018.

18     Sec. 22. FUTURE APPLICABILITY. This division of this Act  
19 applies on and after January 1, 2018, for tax years beginning  
20 on or after that date.

#### 21 EXPLANATION

22             The inclusion of this explanation does not constitute agreement with  
23             the explanation's substance by the members of the general assembly.

24     GENERAL. This bill provides that a taxpayer who  
25 participates in the beginning farmer tax credit program  
26 (program) may transfer any unexpended and nondepleted  
27 portion of a tax credit to a qualified beginning farmer who  
28 participates in the program. The program is administered by  
29 the agricultural development division created within the Iowa  
30 finance authority (authority). The purpose of the program  
31 is to assist a qualified beginning farmer to acquire or use  
32 agricultural assets (e.g., agricultural land or improvements)  
33 from a taxpayer (owner). The qualified beginning farmer and  
34 owner must be parties to either a lease or rental agreement  
35 in which the beginning farmer pays an amount to the owner or

1 a custom farming contract in which the owner pays an amount  
 2 to the beginning farmer. The tax credit equals a percentage  
 3 of that payment and allows the owner to carry forward the  
 4 tax credit amount for 10 years. Currently, the tax credit  
 5 cannot be transferred except to the owner's estate or trust  
 6 upon death. The bill places a number of restrictions upon a  
 7 transfer to a qualified beginning farmer, including procedures  
 8 for being issued a replacement tax credit certificate to the  
 9 qualified beginning farmer.

10     APPLICABILITY TO DIFFERENT VERSIONS OF THE TAX CREDITS.

11 Under the bill, a taxpayer may transfer the agricultural  
 12 assets transfer tax credit first claimed under any of the  
 13 following: (1) former Code section 175.37 for a tax year  
 14 commencing in calendar years 2008 through 2012, (2) current  
 15 Code section 16.80 for a tax year commencing in calendar years  
 16 2015 through 2017, and (3) future Code section 16.80 for a  
 17 tax year commencing in calendar year 2018 and subsequent tax  
 18 years. A taxpayer may transfer the custom farming contract tax  
 19 credit first claimed under any of the following: (1) former  
 20 Code section 175.38 for a tax year commencing in calendar years  
 21 2013 and 2014 and (2) current Code section 16.81 for a tax year  
 22 commencing in calendar years 2015 through 2017.

23     BACKGROUND. Nine years ago, the general assembly enacted  
 24 2006 Iowa Acts, chapter 1161, creating the agricultural  
 25 assets transfer tax credit administered by the agricultural  
 26 development authority. Two years ago, the general assembly  
 27 enacted 2013 Iowa Acts, chapter 125, expanding the program,  
 28 including by adding the custom farming contract tax credit in  
 29 former Code section 175.38. However, the legislation provided  
 30 that the program was to be eliminated on December 31, 2017,  
 31 and the former version of the agricultural assets transfer  
 32 tax credit was to be restored. That same year, the general  
 33 assembly enacted 2013 Iowa Acts, chapter 100, providing that  
 34 the agricultural development authority was a division of the  
 35 Iowa finance authority. Last year, the general assembly

1 enacted 2014 Iowa Acts, chapter 1080, which repealed Code  
2 chapter 175 and enacted a number of its provisions as part  
3 of reorganized Code chapter 16, including the program (Code  
4 chapter 16, subchapter VIII, part 5, subpart B). The program,  
5 including the tax credits, is still scheduled to be eliminated  
6 on December 31, 2017, and at that time the former agricultural  
7 assets transfer tax credit will be restored. Last year, the  
8 general assembly also enacted 2014 Iowa Acts, chapter 1112,  
9 extending from five to 10 years the period that a taxpayer  
10 claiming a past, current, or future version of the tax credit  
11 may carry it forward.